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Secrets of the Orient

What you can learn from Chinese Entrepreneurs

By **Deena Waisberg**

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It's no secret China is fast becoming a business superpower. Its GDP has grown an average of 9% annually since 1978, the highest rate of any of the world's major economies. And there's no slowdown in sight. China is both a land of opportunity and a competitive threat. But that's not only due to cheap labour.

"There are 1.3 billion Energizer bunnies in China," says Rob Sherkin, president of Dynamic Tire Corp., a Toronto-based tire manufacturer and distributor that has done business in China for 20 years. "They have a can-do attitude, a tremendous amount of energy and a willingness to accomplish." There's also a burgeoning and vibrant community of savvy entrepreneurs. Indeed, as masters of innovation, building relationships and doing more with less, Chinese entrepreneurs are well qualified to inspire and inform Canadians who want to grow their businesses—no matter where they work or what they sell.

Negotiate with discipline

Whether it's convincing a potential partner to invest or getting the best price on supplies, persuading others to see your point of view is essential to growing your business. The Chinese value strategic thinking so much they teach it in public schools, says Dora Chen, director of Chinese business development at McLellan Multimedia Group, a Toronto-based marketing and communications consultancy. "We [the Chinese] learn strategy from Grade 1." As a result, the Chinese are among the world's best negotiators. Typically, they formulate their bargaining strategies long before formal discussions begin. They'll analyze a situation, map out the possibilities and determine the best way to achieve their aim, says Chen. They're never unprepared.

They also present a unified front, says David Arenburg, president of DAI Group, an Ottawa-based consultancy specializing in international joint ventures. Individuals won't deviate from the agreed-upon strategy or offer a new idea the group hasn't vetted. This unity is symbolized in seating arrangements at the bargaining table. "They will all sit together, lined up on one side of the table," says Arenburg. "The president will sit in the middle, and the closer his staff members are to him, the higher their rank." Maneuvering as a group guards the group from being trapped into unfavourable terms by any individual's impulsive behaviour.

Another negotiating advantage: the Chinese excel at controlling their feelings. "You won't see a Chinese businessperson losing control and swearing or getting upset," says Neil Abramson, an associate professor of business administration at Simon Fraser University in Burnaby, B.C., and co-author of the study "Key Cross-Cultural Differences Related to Canadian Companies Doing Business in China." This self-discipline prevents Chinese businesspeople from blurting out key information in the heat of negotiations.

In the end, the Chinese want to do the right deal—not just any deal, says Michael Kraft, president of Lingo Media Inc., a Toronto-based publisher that supplies English-language teaching materials to People's Education Press: "They are fond of saying it's got to be a win-win situation."

Spend where it counts

Unless you have really deep pockets, it makes sense to control your spending and give financial priority to those areas that will benefit your business the most.

Canadians should be inspired by the frugality of Chinese companies. "Chinese companies show a lot of restraint," says Sherkin. That's due partly to the difficulty they have raising

capital, but also to their culture. "Here, we have no problem with conspicuous consumption—buy now, pay later. That concept is foreign to the Chinese. Theirs is a very cash-driven society." That forces firms to spend wisely. "They won't spend where they don't see value."

Sherkin recalls touring a car-tire factory in China that had "the best equipment from around the world: low-pressure cast machines from Italy, a huge variety of equipment. But there was such a disconnect in the [bare-bones] offices, because offices don't generate money."

Such restraint applies equally to travel, transportation and even office supplies. "There's not a lot of waste. Resources are more precious," says Sherkin. "For example, here we buy reams of paper and throw away much of it. They'll use thin onion-skin paper and use both sides."

Mossadiq Umedaly agrees. The chairman of Xantrex Technology Inc., a Vancouver-based electronics producer that does business in China, says Chinese manufacturers he's dealt with will spend readily on facilities, automation and hiring engineers, while largely ignoring sales and marketing.

Keeping overhead expenses to a minimum is another common practice. Chinese CEOs prefer small offices so they can save on rent and utilities, says Joseph D'Cruz, a professor of strategic management at the University of Toronto's Joseph L. Rotman School of Business. "There is an aura of frugality that permeates companies."

Reward performance

Even if you have the world's best product, you'll fail unless you can make the sale. That means you and your employees need to go the extra mile.

This axiom is especially important in China, where competition is fierce, says Margaret Cornish, executive director of the Toronto-based Canada China Business Council, which promotes trade between the two countries. Consumers and businesses can be incredibly picky and demanding. "They know if they don't get what they want from one store," says Cornish, "they can go elsewhere."

Gaining a competitive edge requires knowledgeable, motivated staff who can exceed customer expectations. Hard work is rewarded, and non-performers are quickly replaced. Retail workers receive a low base salary plus commission, says Chen. The more a clerk sells, the more she makes. As a result, workers try many strategies to complete the deal. Ask to see a red sweater, for example, and the shop assistant will comply. If you don't like it, explains Chen, she'll show you every one of the store's red sweaters if necessary. If you're still not satisfied, she may refer you to a friend's store, which will compensate her if you buy there.

Staff are also empowered to negotiate prices, so they'll sometimes negotiate a discount of 15% or more, says Arenburg. They'll often sweeten the deal with value-added services such as free alterations. Such effort is rewarded at year-end, when staff receive bonuses, says Chen: "Of course, the better you perform, the better your bonus will be."

Cut some slack

No one likes to feel embarrassment or humiliation in business situations. Bruise the egos of your business partners, and you can damage profitable relationships. Take your cues from the Chinese, who practise a gentle communication style to preserve harmony and save "face."

"If you break the harmony, it's very difficult to repair," says K.W. Ching, president of Toronto-based Info-Link Asia Ltd., a consultancy that advises companies on how to make inroads into Asian markets. The Chinese will go to great lengths to avoid direct confrontation. They steer clear of the word "no," which they consider disrespectful and confrontational. A more subtle "We'll think about it" or "Let's talk about this later" signals that a proposal isn't satisfactory, while leaving the door open for further discussion.

Other behaviours discouraged in China include being openly critical, disagreeable or challenging. Ambramson says you would never hear Chinese say, "This is bad." Rather, you'd hear something like "Everything is fine, but there is something here to discuss." Questions or mistakes are always discussed in private, to avoid loss of face.

Get guanxi

If relationships didn't matter in business, you wouldn't need to book those Tuesday morning tee-off times three weeks in advance. But strong interpersonal relationships facilitate business dealings, and the Chinese are masters at building social ties before economic ones.

In China, developing the right guanxi (connections) is the difference between thriving and merely surviving. The importance of being well connected is largely a reflection of the local business environment, says Chen. Guanxi networks are a valuable source of information and contacts in a society in which laws are often flouted. And there are other benefits. People are more apt to do business with people they know and like—and to stick with them.

With so much riding on the strength of relationships, it's no wonder the Chinese don't rush to make deals. Even after you get an introduction, establishing personal relationships often takes months, sometimes more than a year. While cold-calling someone you wish to meet is acceptable in the West, it's not always the best way to open doors, particularly in China. CEOs there prefer a personal referral from a trusted ally or colleague. Another option, says Chen, is to make a connection at a business function or conference.

Courtships proceed slowly, agrees Michael Kraft. After an initial meeting with the head of the foreign-language department at People's Education Press, Kraft spent 18 months building a friendship that eventually opened the doors to doing business.

Initial meetings are typically "get to know you" sessions: friendly discussions of common interests, hobbies or travel. Business talk is a no-no, says Chen, until there's an established connection. The relationship develops over shared activities such as dinner or golf. Frequent communication is encouraged, and exchanging increasingly important favours is expected. Finally, small gifts such as wine or cigarettes are exchanged.

"Canadians mistake this for bribery or corruption," says D'Cruz. In fact, the gesture is symbolic of the importance of the relationship, he says, and it's not much different from the Canadian practice whereby firms woo potential clients with, say, hockey tickets. To Westerners used to a more expedient "get down to business" approach, investing so much time and energy may seem like overkill. But the effort pays off. Chinese business relationships often turn into lifelong friendships.

Borrow the best ideas

Learning from others' experience speeds the process of developing or improving a product and helps you avoid mistakes. The Chinese are often accused of being copycats, and, without a doubt, Chinese businesses have copied everything from golf clubs to motorcycles. But the Chinese are also masters at taking an old product and putting a new spin on it. They will examine products from different manufacturers, determine the best features and then build their own.

"The Chinese are not afraid to experiment," says Marc Heinke, president of Precido Inc., a Brampton, Ont.-based manufacturer and distributor of promotional products. "And because they pay university-educated engineers about \$500 a month, they can afford to throw a lot of people at a problem."

Heinke knows of one Chinese plastic-injection moulding manufacturer that put its engineers to work recreating in plastic the air-bubble designs of hand-blown glass from France and the Czech Republic. "They figured out how to inject air bubbles into a plastic tumbler, and now they've created air-bubble stripes," marvels Heinke. "Our engineers in Canada still haven't

figured out how to do this."

That ingenuity also extends to adapting products to meet local demands. Only 100 million of China's 1.3 billion residents have high purchasing power, which means there's huge demand for affordable goods and services. "They will re-engineer a basic-quality product that is less expensive," says Abramson, citing the experience of Haier Group, a giant Chinese appliance and electronics manufacturer. Haier needed to improve the quality of its appliances, such as dishwashers, yet keep prices down. The company turned to Japan, where manufacturers were expertly building compact and quiet but expensive white goods. After re-engineering the Japanese machines, Haier focused on quality and compactness—a necessity for the many Chinese who live in small apartments—at the expense of quietness.

That doesn't mean original innovation is less valued. Haier has formal channels for its 30,000 employees to turn their innovations into applications. According to a study by the management consultancy Accenture, since 1997 Haier employees have suggested 136,000 innovations, of which 78,000 have been adopted. That's not all. The firm has also implemented a program whereby it names new products after the employees who conceived them. Who wouldn't want to work to see their name immortalized?

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